

Message Text

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DRAFTD BY: IO/UNP:JWASHBURN:EK

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FM SECSTATE WASHDC

TO AMEMBASSY AMMAN IMMEDIATE

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FOLLOWING REPEAT BEIRUT 3347 ACTION SECSTATE JIDDA USUN
17 MAR

QUOTE

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DEPT FOR NEA/IAI AND IO/UNP

E.O. 11652: N/A DECON 3-22-75

TAGS: SREF UNRWA XF

SUBJECT: UNRWA COMGEN'S MEMO TO ADCOM RE UNRWA FINANCIAL
SITUATION

REFS: A. BEIRUT 3245 (NOTAL) B. AMMAN 1759

1. FOLLOWING IS SUMMARY OF UNRWA COMGEN'S MAR 6 MEMO
TO ADCOM MEMBERS (COPIES POUCHED ALL ADDRESSEES EXCEPT
CAIRO AND JIDDA MAR 17) OUTLINING UNRWA FINANCIAL SITUATION
AND WARNING OF CUTBACKS IN SERVICES TO REFUGEES. MEMO
WILL BE USED AS BASIS FOR DISCUSSION AT ADCOM MEETING NOW
SET FOR MAR 21 IN BEIRUT.

2. UNRWA'S FINANCIAL SITUATION IS INCREASINGLY CRITICAL AND
DECISIONS ON LEVEL OF SERVICES TO REFUGEES CANNOT BE
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DELAYED MUCH LONGER. REVISED BUDGETARY ESTIMATES IN JAN

PLACED ESTIMATED CY 75 EXPENDITURES AT DOLS 129.9 MILLION, INCOME AT DOLS 83.9 MILLION, AND DEFICIT AT DOLS 46.0 MILLION. COMBINED WITH CONTINUING LIQUIDITY CRISIS (I.E., LAG OF RECEIPTS OF PLEDGED CONTRIBUTIONS BEHIND EXPENDITURES), GAP OF THIS DIMENSION CANNOT BE ALLOWED TO PERSIST WITHOUT PRECIPITATING FINANCIAL COLLAPSE.

3. ON MAR 1, AGENCY RECEIVED ADDITIONAL US CONTRIBUTION OF DOLS 10 MILLION FOR PURPOSES MAINTAINING PRESENT LEVEL OF SERVICES TO REFUGEES. IF ADDITIONAL DOLS 6 MILLION POSSIBLE UNDER US FOREIGN AID LEGISLATION, BUT AWAITING CONGRESSIONAL ACTION AND PRESIDENTIAL DETERMINATION, IS RECEIVED ALONG WITH REGULAR US ANNUAL CONTRIBUTION, AGENCY'S DEFICIT WILL BE REDUCED TO DOLS 30 MILLION.

4. COMGEN FEELS ALL POSSIBILITIES OF RAISING ADDITIONAL SUBSTANTIAL FUNDS ARE EXHAUSTED. ALTHOUGH UN SYG WALDHEIM EXPRESSED HOPE DURING RECENT TOUR OF WEALTHY ARAB STATES THAT THEY WOULD INCREASE SIGNIFICANTLY THEIR CONTRIBUTIONS TO UNRWA, NO NEW CONTRIBUTIONS HAVE BEEN FORTHCOMING DESPITE COMGEN'S EFFORTS TO FOLLOW UP UN SYG'S APPEAL.

5. WITH RECENT REDUCTION IN COMMODITY CONTRIBUTIONS AND GROWING INABILITY OF UNRWA TO PURCHASE SUCH COMMODITIES, UNRWA WILL BE FORCED TO LIMIT AMOUNT OF FLOUR AVAILABLE FOR DISTRIBUTION AFTER APRIL 1. WITH THIS AND OTHER RATION CUTBACKS (E.G., ELIMINATION OF SUPPLEMENTARY FEEDING PROGRAM AS OF JULY 1), TOTAL OF DOLS 22.2 MILLION COULD BE SAVED AND USED TO CONTINUE ELEMENTARY EDUCATION AND HEALTH PROGRAMS. FURTHER DOLS 2 MILLION COULD BE SAVED BY DEFERRING MOST NON-RECURRING EXPENDITURES OTHER THAN SCHOOL CONSTRUCTION (TO AVOID TRIPLE SHIFTS).

6. REDUCTIONS, DEFERMENTS AND SUBSTITUTIONS OUTLINED ABOVE COULD POSSIBLY (BUT NOT CERTAINLY) RESULT IN CASH SAVINGS TALLING DOLS 24.2 MILLION, LEAVING DEFICIT OF DOLS 6 MILLION. HOWEVER, AGENCY'S WORKING CAPITAL IS NOW SO LOW THAT EVEN THIS DEFICIT COULD NOT BE SUPPORTED, AND IT WOULD BE NECESSARY CONTEMPLATE REDUCTION IN EDUCATIONAL OFFICIAL USE

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CATION PROGRAM, EFFECTIVE JULY 1, BEGINNING WITH PREPARATORY CYCLE.

7. APART FROM EFFECT ON REFUGEE RECIPIENTS, BETWEEN 750 AND 900 PALESTINIAN EMPLOYEES WOULD LOSE THEIR EMPLOYMENT UNDER SUPPLEMENTARY FEEDING AND RATION PROGRAMS, AND 2,500 TEACHERS IN PREPARATORY CYCLE WOULD BE LAID OFF. PRELIMINARY ACTION ON SEPARATION OF AFFECTED

STAFF WOULD HAVE TO BE TAKEN AT BEGINNING OF MAY.

8. WITH EACH MONTH OF CONTINUED EXPENDITURE AT RATE ABOVE AGENCY'S ESTIMATED INCOME BEYOND APRIL 1, MAGNITUDE OF REDUCTIONS REQUIRED TO REDRESS BUDGETARY IMBALANCE WILL INCREASE, AS WILL RISK OF FINANCIAL COLLAPSE AND THREAT TO HEALTH AND OTHER EDUCATION PROGRAMS. IN THESE CIRCUMSTANCES, COMGEN HAS RESPONSIBILITY TO MAINTAIN AGENCY'S VIABILITY, EVEN AT REDUCED OPERATION LEVEL, AND HE SEEKS ADCOM'S ADVICE IN THIS REGARDS.
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